Weekly Economic Review

Manufacturing stuck near six year low

Manufacturing

Unabated weakness for manufacturers

The value of manufacturing shipments was essentially unchanged in February at $5.0 billion, in line with mid-2010 levels. Compared with the previous year, shipments were down 14%. Petroleum and coal shipments were down 34% y/y after oil prices hit a low of $26 in mid-February. Manufacturing activity outside of the energy sector was also slow, down 8.3% y/y. With the retrenchment in North America's energy sector, machinery shipments plunged (-50% y/y). Producers of primary (-25% y/y) and fabricated metal (-7.8% y/y) products have also slowed significantly compared with last year, though there was some improvement in February.

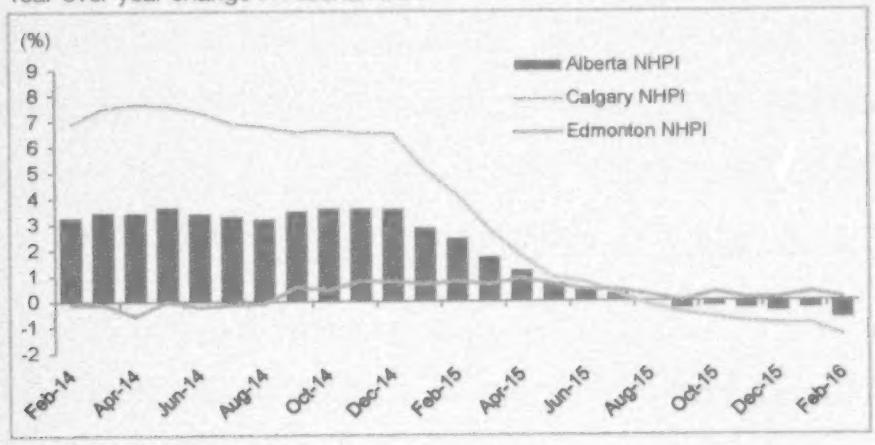
Chart 1: A pause after seven months if waning resale activity

Alberta resale housing level and sales-to-new listings

Source: Canadian Real Estate Association

Chart 2: New housing price ease amid real estate market weakness

Year-over-year change in Alberta NHPI



Source: Statistics Canada

Resale Housing

Sales finally stop falling

The decline in Alberta resale housing market paused after seven consecutive months, as sales increased to 4,065 in March (Chart 1). However, the earlier weakness left resale housing activity at its lowest level since late-2010, down 15% compared with the previous year. Sales in Calgary and Edmonton were down 12% y/y. The rising number of sales outweighed new listings, lifting the sales-to-new listings ratio up to 45.9%. The average resale price across Alberta fell to $383,772 amid the real estate market weakness.

New Housing Price Index

Calgary drags down house prices

Due to the slowdown in Alberta's housing market, the province's New Housing Price Index (NHPI) fell for the first time since July 2015 and has been receding on a year-over-year basis for the past six months. Housing prices were down 0.7% on a year-over-year basis in February (Chart 2). The weakness was mostly attributable to deflation in Calgary's housing market, where prices were down 1.3% y/y. Edmonton's NHPI was weak but still positive at 0.1% y/y. Across Alberta, overall NHPI were pulled down by a 1.1% y/y decline in non-land prices. Land prices were up a mere 0.4% y/y in February, the weakest appreciation in four years.

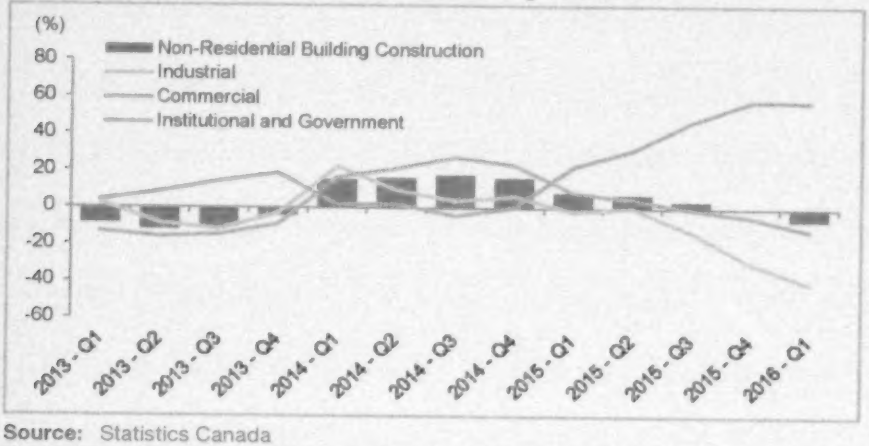
Non-Residential Investment

Rising government building can't offset drop in industrial and commercial

Alberta's non-residential building investment fell for the fourth straight quarter in early 2016, down 6.7% compared with the prior year to $2.7 billion. Institutional and governmental building investment was up 58% y/y, but this was more than offset by the weakness in industrial (-41% y/y) and commercial (-12% y/y) investment. Falling investment in industrial and commercial investments was geographically broad-based across the province (Chart 3). The gains in institutional and governmental construction investment were mainly concentrated in Edmonton and Calgary.

Chart 3: Institutional and government thrive amid construction slowdown

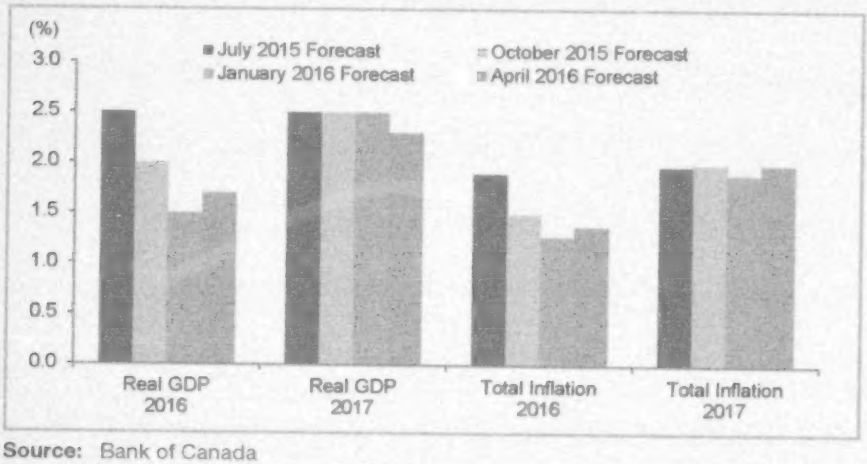
Year-over-year change in non-residential building investment



Source: Statistics Canada

Chart 4: Projected economic growth for 2016 gets a modest upgrade

Bank of Canada forecast revisons



Source: Bank of Canada

Bank of Canada

BoC expects steady improvement

The Bank of Canada left the overnight interest rate at 0.5% while upgrading its outlook for 2016. Canada's real GDP forecast was raised by 0.3 percentage points to 1.7% this year. The revised outlook reflects the federal government's newly planned infrastructure spending and household income benefits. Economic growth is forecast to reach 2.3% in 2017 (Chart 4). Inflation remains below target, but should pick up as the effects of low energy prices and a weak Loonie dissipate. The Bank's outlook for the global economy remained balanced yet cautious, noting steadily improving prospects for the US economy after a slow start to 2016, but pointing out that US growth will be less beneficial for exports than previously anticipated.

World Economic Outlook

IMF concerned with downside risk

The IMF lowered its forecast for global growth in 2016 to 3.2% and 3.5% in 2017. The forecasts for most advanced economy were lowered, while the economic outlook for most advanced emerging markets remained lackluster. Moreover, the risk of further weakening has increased. Canada's expected growth was lowered to 1.5% for this year and to 1.9% in 2017. The major emerging markets of Brazil (-3.8%) and Russia (-1.8%) are both expected to contract this year, and a slew of other commodity-exporting emerging markets will grow at a slower pace. Conversely, India is on track to be one of the fastest growing economy over the next two years. Lingering challenges include depressed commodity prices, slowing international trade and capital flows, and the continued threat of financial market volatility triggered by unexpectedly poor economic activity.

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.